

MINUTES OF THE MEETING
OF THE BOARD OF DIRECTORS OF
THE DEPARTMENT OF WATERWORKS

DATE: July 22, 2004

CALLED TO ORDER: 5:39 p.m.

MEETING ADJOURNED: 6:40 p.m.

ATTENDANCE

PRESENT MEMBERS

Beulah Coughenour, Chairperson
Jack Bayt
Dan DeMars
S. Michael Hudson, Secretary-Treasurer
Sam Odle

AGENDA

1. Approval of the Minutes of the Meeting of June 24, 2004-Beulah Coughenour, Chairperson
2. Financial Report- Robert Erney, Financial Manager
3. Report of Veolia Water Indianapolis LLC-Tim Hewitt, President and Operations Manager
4. Report of Director of Contracts and Operations-Carlton E. Curry, Director of Contracts and Operations
5. Resolution No. 27, 2004-Approval of an Appropriation of Additional Character 4 Funds of the 2004 Budget-Robert Erney, Financial Manager
6. Resolution No. 28, 2004- Approval of Capital Projects-Carlton E. Curry, Director of Contracts and Operations
7. Other Business
 - a. Other Board Business
 - b. Public Comment

MINUTES OF THE MEETING
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THE DEPARTMENT OF WATERWORKS

The meeting of the Board of Directors (the "Board") of the Department of Waterworks (the "Department") met on Thursday, July 22, 2004. Chairwoman Beulah Coughenour called the meeting to order at 5:39 p.m. with the following members present: Jack Bayt, Dan DeMars, Sam Odle, and S. Michael Hudson.

Chairwoman Coughenour introduced the newest member of the Board, Dan DeMars.

Approval of the Minutes of the Meeting of June 24, 2004
Beulah Coughenour, Chairperson

Mr. Odle moved, seconded by Mr. Bayt, to approve the June 24, 2004 Board minutes. The motion carried by a vote of 4 to 0. The minutes are attached as Exhibit A.

Financial Report
Robert Erney, Financial Manager

The Board was given a copy of Mr. Erney's financial report attached hereto as Exhibit B and incorporated herein by reference (the "Financial Report"). Mr. Erney referred to Page 1 of the Financial Report and pointed out that this report is for June 2004. In June 2004, the Department took in \$9 million. The total disbursements for the month of June were \$20.9 million, which gives the Department a negative cash flow of \$11.8 for the month of June and a negative of \$20 million for the year. Page 2 of the Financial Report shows a decline in aging accounts receivables. The bottom of Page 2 of the Financial Report shows a comparison of aging accounts receivables.

Mr. Odle asked if the Department is collecting these aging accounts better or worse than they were two years ago. Mr. Erney replied that the Department has collected \$150,000 to date and the bills have only been sent out for two months. He believes that the Department is starting to see a good return.

Mr. Erney referred to Page 3 of the Financial Report and said that this is the MBE/WBE disbursements. He said that the MBE for the month of June 2004 was just over \$15,000. There were 800 new service connections for the month of June.

Mr. Bayt asked if these are new connections or reconnections. Mr. Erney replied that there were 798 net new connections installed.

Mr. Erney referred to Page 4 of the Financial Report and said that there is an increase of \$1 million in receipts versus last year. Page 5 of the Financial Report shows the pumpage in May was significant over 2003. Page 6 of the Financial Report is the 2004 capital budget from cash flow. He said that there are 28 projects authorized for 2004. Page 7 of the Financial Report is the 2004 bond capital budget. There are 41 projects authorized with two pending. Pages 8 and 9

of the Financial Report are a list of the 2004A bond projects. Page 10 of the Financial Report is a graph for legal, financial, and other consulting services.

The Board was given a copy of Mr. Erney's Statement of Revenues, Expenses, and Changes in Fund Net Assets attached hereto as Exhibit C and incorporated herein by reference (the "2003 Financial Statement"). He referred to the 2003 Financial Statement and stated that as of December 31, 2003, the water sales pledged as security for revenue bonds was \$100,389,000. The contracted operations for the management fees were \$38.6 million. Other services and charges, which includes consulting costs and overhead charges was \$6.3 million. Depreciation and amortization was \$18 million. The interest expense, which is the debt service, was \$30,535,000. The Department gained \$154,000 for the sale of vehicles and equipment. The total net assets ending are \$2.4 million.

Mr. Odle asked if Mr. Erney's figures have already been audited. Mr. Erney replied in the affirmative.

Report of Veolia Water Indianapolis LLC
Tim Hewitt, President and Operations Manager

The Board was given a copy of Mr. Hewitt's report attached hereto as Exhibit D and incorporated herein by reference. Mr. Hewitt read from his executive summary that warmer than usual weather patterns and significant rainfalls in June resulted in higher flow patterns in the river supplies. Weekly reviews of reservoir taste and odor compounds in June resulted in no Cutrine applications at Geist, Eagle Creek or Morse Reservoirs. Capital projects, operational challenges due to rainfall events, and summer plant operations and maintenance highlighted June activities at all plants. Pumpage volumes for the month were more than those in 2003. The Indianapolis Water (IW) Pumpage for the month of June was 4,715 million gallons, which was 48% more than in June 2003. The average daily IW Pumpage for the month was 157.17 million gallons day.

Mr. Hewitt reported that the number of repairs for the month of June totaled 98 with 64 being service repairs and 34 being main repairs. There were approximately 1,807 customers affected during the month of June 2004. In June 2003, there were 113 repairs. The Procurement Department purchased \$2,781,320.24 of goods and services for the month of June. In the area of safety, Veolia achieved a lost time ratio of 2.78 versus a goal of 0.64 and a recordable of 13.90 versus goal of 6.28. For the year, Veolia stands at 1.68 for the lost time ratio and 7.98 for the recordable. The Call Center performance showed an improvement during June due to the utilization of Veolia's revenue specials as backup in answering telephone calls during peak times. The answer rate for the month was 81.4% and the abandon rate was 1.4%. Since January 1, 2004, the cumulative answer rate is 77.4% and the abandon rate is 4.0%. The 2004 incentive criteria for these are 82% and 5%.

Mr. Hewitt stated that the Board may recall that there was a fish kill recently at Geist and the cause was under investigation. Purdue University did testing on fish collected from Geist by Indiana Department of Natural Resources (IDNR) and those tests revealed a bacterial infection. While tests were not conclusive, it appears that copper (the active ingredient of Cutrine Ultra)

was not the cause of death in the fish kill affecting large carp in Geist Reservoir. Due to rising algal levels in Geist Reservoir, a Cutrine Ultra application was performed on July 16 on 1/6th of the reservoir. Veolia is working hard to stay ahead of the blue-green algae blooms that cause taste and odor problems in Central Indiana.

Mr. Hewitt introduced Veolia's new controller, Bill Wolf. He said that Mr. Wolf served as comptroller with American Water Works in Greenwood, Indiana.

Mr. Hudson asked if Veolia's water treatment process at Geist Reservoir takes care of the bacteria. Mr. Hewitt replied in the affirmative.

Mr. Odle asked if the fish kill at Geist Reservoir could have happened naturally. Mr. Hewitt introduced Jeff Dieterlen, Director of Production for Veolia. Mr. Dieterlen responded that the reports concurred that there was a bacterial infection in the dead fish. He said that the treatment of the Reservoir is to maintain a diverse population in the Reservoir and by treating the Reservoir Veolia we may have created an environment that did not help the fish population. Veolia did not create the problem, but they did not help it.

Mr. Odle asked how the maintenance and care of the Canal in Broad Ripple being done in terms of the vegetation that is growing there. Mr. Dieterlen replied that Veolia is working very hard to cut the weeds that are growing into the Canal.

Mr. DeMars asked if the weeds in the Canal a consistent problem. Mr. Dieterlen replied that the weeds have been a problem for many years.

Chair Coughenour asked if the weeds have gotten worse over the years. Mr. Dieterlen replied in the affirmative.

Report of Director of Contracts and Operations
Carlton E. Curry, Director of Contracts and Operations

The Board was given a copy of Mr. Curry's report attached hereto as Exhibit E and incorporated herein by reference. He said that customer service information was provided in an informal manner to the Indiana Utility Regulatory Commission (IURC). There was no quorum at the Service Advisory Board (SAB) meeting on July 20, 2004. An informal update for the Regional Water Authority was given to the SAB. In addition, the status for procuring legal and engineering assistance was provided to the chair of the SAB. The next meeting notice will have more detail concerning the items to be addressed including the five-year capital plan summary.

Mr. Curry explained that the Technical Advisory Group's (TAG) algal control work group discussed approaches to control algal growth in the IW system. They plan to take three steps. First, to review how to reduce algal bloom. Second, how to manage the growth control. Third, how to manage toxins attendant to algal blooms. Mr. John Rogers, Ph.D. (professor at Clemson and a recognized expert for such subjects) was present and addressed the group. Considerable discussion ensued concerning treatment methods and effectiveness for systems in general as well as for the IW system. Due to scheduling, a second TAG meeting occurred. An evaluation for

the potential for using nitrogen concentration as one of the indicators for timing and extent of application of Cutrine for control of blue-green algae was presented. Veolia presented a plant operations summary as well as an update regarding a disinfection strategy being contemplate. IW presented an abbreviated progress review addressing overall water supply and treatment capacity.

Mr. Curry stated that no further formal meetings regarding the Laboratory Monitoring Plan (LMP) and the testing means have held since the last Board meeting. A revised LMP was provided by Veolia as agreed. Shrewsberry & Associates returned comments on Schedule. These comments were provided contemporaneously to Veolia. Further coordination seems necessary. The proposal review continues for the five year capital plan. It is expected that the results from the review will be presented to the SAB in August prior to presenting it to the IW Board.

Mr. Curry reported that negotiations with Carmel have been extended beyond the 45-day allowable time frame (May 20). After the exchange of proposed asset values between the parties, questions arose requiring more explanation. It was agreed that the data should be clarified. Therefore, time was allowed for this clarification and further discussion. If a satisfactory conclusion is not reached among the parties, according to the agreement, the matter becomes subject to review by the IURC. This action, if required, is supposed to take no more than 60 days. If appropriate, the next step would be arbitration. In a surprise move, Carmel representative advised a Veolia contractor that right of way entry permits would not be granted for a rather important bond project until our negotiations concerning Carmel's proposal acquisition of certain IW assets had progressed. This situation is under review.

Mr. Curry noted that the legal aspects for proposing a sale of Liberty Water continue.

Mr. Curry explained that a meeting with the Department of Parks and Recreation is contemplated very soon since the Geist Station improvement and well line drawings are completed and a security review is updated. For planning purposes, the expected foot print of a surface water treatment plant was included in the facilities layout.

Mr. Curry stated that communications with Lawrence Utilities have caused some potential concerns to surface. Everyone is trying to work together to resolve these issues so that a common proposal may be made not only to the Board, but also to those in Lawrence who must consider the terms of the sale. Typical concerns are: maximum flow rate, minimum monthly takings, meter installation, construction and maintenance responsibility. Although each item has its own degree of importance, nothing has surfaced.

Mr. Curry pointed out that the following is a summary of the items accepted by the Genealogical Society of Marion County: Water Lines Newsletters, 1930's and 1940's (2 cartons); mounted photos; scrapbooks (1 box); audio tapes (1 box), canal photos (1 box); 16mm film (1 box); journal ledgers (1 group); a set of canal books; miscellaneous photos; deed records (5 binders); Kleinhenz Weekly Reports, 1930's to 1970's City-County Proceedings 1878 – 1909 (5 volumes); and some miscellaneous materials such as old advertising prints.

Mr. Curry noted that at the last Board meeting, a request was made to contact Martinsville to see if there was any assistance that IW might offer. Therefore, a message was left with a staff member and a follow-up time established.

Chair Coughenour asked if there are any legal ramifications if Carmel does not meet the deadline. Mr. Curry replied that if Carmel does not comply within the next four or five weeks, the schedule will be in jeopardy. Andrew Klineman, General Counsel for the Department added that the Department is reviewing the legality of the action that Carmel has taken. The Department is considering their options in light of the law that they have reviewed. He believes that Carmel's actions are outside its legal bounds. The Department will be taking actions to address this concern in the near future.

Chair Coughenour asked if the Department has been in contact with Carmel. Mr. Klineman replied that the message the Department received is from a communication between Carmel's engineer and Veolia Water Indianapolis. That message indicated that Carmel intended not to place Veolia Water Indianapolis' right-of-way permit application on the Carmel Board of Public Works agenda.

Chair Coughenour asked that Carmel be contacted by the Department and unless there is something in writing, that the Department should forget negotiations with Carmel. Mr. Klineman stated the Department will contact Carmel directly about this matter.

Mr. Hudson asked that the Department keep the Board informed as to what actions against Carmel will be taken. Mr. Klineman replied that he will let the Board know exactly what actions are taken.

Resolution No. 27, 2004-Approval of an Appropriation of Additional Character 4 Funds of the
2004 Budget
Robert Erney, Financial Manager

Mr. Erney explained he has a correction to Resolution No. 27, 2004. He asked that the Board appropriate \$672,619 in Character 4 funds of the budget for capital projects to be funded by the approved 2004A bond issuance. These funds will cover two projects that were authorized under the bond issuance.

Mr. Odle moved, seconded by Mr. Bayt, to approve Resolution No. 27, 2004. The motion carried by a vote of 4 to 0.

Resolution No. 28, 2004- Approval of Capital Projects
Carlton E. Curry, Director of Contracts and Operations

Mr. Curry stated that Resolution No. 28, 2004 approves two bond programs. One project is the White River Boiler in the amount of \$350,000. The second project is the West 116th Street Reinforcement Main in the amount of \$322,619.

Mr. Odle asked what the boiler is used for. Mr. Dieterlen replied that the boiler is primarily used for steam heating throughout the facility.

Mr. Odle asked if the rest of the heating system functioning correctly. Mr. Dieterlen replied that the rest of the heating system functions adequately.

Mr. Odle moved, seconded by Mr. Bayt, to approve Resolution No. 28, 2004. The motion carried by a vote of 4 to 0.

Other Business

Glenn Pratt, citizen, explained that Veolia was not notified until five days after the fish kill. He said that the Department should work with the community to determine what chemicals are to be put into the canals and reservoirs. He believes that the TAG is functioning quite well. The members of TAG are business people and people who represent universities.

CONCLUSION

With no further business pending, the Board of Directors of The Department of Waterworks meeting adjourned at 6:40 p.m.

Beulah Coughenour, Chairwoman

Attest:

S. Michael Hudson,
Secretary-Treasurer